

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF NORTH SHELBY)	
WATER COMPANY TO REVISE ITS EXTENSION)	CASE NO. 95-161
POLICY TO INCLUDE A LINE UPSIZE CHARGE)	

O R D E R

On March 13, 1995, North Shelby Water Company ("North Shelby") filed a proposed tariff with the Commission to revise its extension policy to include a line enlargement charge. The charge would require a developer who is creating a residential development on an existing water line to pay one-half of the costs of enlarging the line. The funds collected from the charge are to be placed in an escrow account to be used only for enlarging distribution lines, or, when more practical, for the installation of connections between water mains. Each year North Shelby will prepare a prioritized list of proposed enlargement projects, with costs. Each project will be constructed in the order of priority as funds become available in the escrow account. North Shelby proposed to file with the Commission each year the priority list for the upcoming year, the list of projects completed that year with costs, the amount of line enlargement charge collected the previous year, and the escrow account balance. North Shelby proposed that the filing become effective on and after May 1, 1995. On April 20, 1995, the Commission by Order suspended the effective date of the tariff until September 30, 1995.

North Shelby, by letter received May 25, 1995, requested an informal conference with the Commission for the purpose of discussing the issues presented in its proposed tariff. The Commission entered its Order on June 2, 1995, which scheduled an informal conference for June 6, 1995. During the informal conference, issues relating to North Shelby's proposed tariff were discussed in detail. North Shelby submitted changes to its proposed tariff on June 23, 1995, and requested a formal hearing. Pursuant to the Commission's Order of July 21, 1995, a hearing was held in this matter on September 1, 1995.

Having considered the application and being otherwise sufficiently advised, the Commission finds that:

1. The proposed line enlargement charge requested by North Shelby is a novel tariff provision tailored by the applicant to the specific facts of its situation and is of a type which has not regularly been approved by the Commission.

2. North Shelby's request for approval of the charge should be granted subject to the conditions imposed by this Order.

3. The tariff proposed by North Shelby should be approved for a period of ten years beginning January 1, 1996 and ending December 31, 2005.

4. North Shelby should monitor the status and effectiveness of the proposed tariff throughout the ten-year period and be prepared to demonstrate to the Commission the appropriateness of the charge.

5. North Shelby should place all funds collected from the charge in an escrow account to be used only for enlarging distribution lines, or, when more practical, for the installation of connections between water mains, in accordance with the prioritized list of proposed enlargement projects submitted to the Commission.

6. A prioritized list of proposed enlargement projects, together with the estimated cost of each project, should be filed by North Shelby with the Commission each year as a special supplement to its annual report. North Shelby should also include in that special supplement the list of projects completed during the report year and the cost of each project. In addition, the supplement should itemize the amount of line enlargement charge revenues collected from developers during the report year, the individual expenditures, and the balance of funds remaining in the escrow account.

IT IS THEREFORE ORDERED that:

1. North Shelby's request for approval of a demonstration tariff for a line enlargement charge be and hereby is granted.

2. The tariff set out in Appendix A, which is attached hereto and incorporated herein, is the demonstration tariff approved for a line enlargement charge on and after January 1, 1996, and ending on December 31, 2005.

3. North Shelby shall comply with all matters set out in Findings 4, 5 and 6 as if the same were individually so ordered.

4. North Shelby shall submit its revised tariff setting out the line enlargement charge in Appendix A within 30 days of the date of this Order.

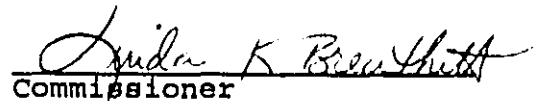
Nothing contained herein shall limit the authority of the Commission to review the tariff approved herein and the appropriateness of North Shelby's application of same at any time during the period that the tariff is in effect.

Done at Frankfort, Kentucky, this 25th day of September, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-161 DATED SEPTEMBER 25, 1995.

RULES AND REGULATIONS

I. LINE ENLARGEMENT CHARGE.

It is the Company's policy that the infrastructure costs of residential developments should be paid by the developer rather than by the customers of the Company. Most of the Company's distribution lines were designed and constructed to serve farms with infrequently interspaced residential lots. For purposes of this rule a lot is considered more residential than agricultural in nature if the lot is less than 15 acres.

The developer of each residential development on an existing distribution line shall be required to pay to the Company a Line Enlargement Charge. The Line Enlargement Charge shall be equal to the number of feet of road frontage of the residential development on the existing distribution line multiplied by 1/2 of the average cost of installing the Company's then minimum size distribution water main (presently 6 inches). The Line Enlargement Charge will normally be charged only for the frontage of lots less than 15 acres. However, if a development contains lots both less than and greater than 15 acres, the Line Enlargement Charge will be charged for the frontage of the entire development if more than one-half of the frontage is occupied by lots of less than 15 acres. No charge will be made for the frontage of any tract served by an existing meter in front of that lot; however such tract will be considered

under the preceding sentence for the purpose of determining whether to charge for the remaining frontage of the development.

No preliminary plat will be signed until the developer has agreed in writing to pay the required Line Enlargement Charge. No final plat will be signed until the developer has paid the required Line Enlargement Charge.

The funds from the Line Enlargement Charge shall be placed in an escrow account. These funds shall be used only for enlarging distribution lines and, under exceptional circumstances where the additional construction will be cheaper than enlarging the affected lines, for the installation of connections between water mains such as dead end lines.

Each year the Company will prepare a prioritized list of proposed enlargement projects together with the estimated cost of each project, which shall be available for inspection at the Company's office. Each project shall be constructed by the Company in the order of priority listed as funds in the account become available. The Company shall file with the Commission, on an annual basis, the priority list for the next year, the list of projects completed during the previous year and the cost of each such project, the amount of Line Enlargement Charge revenue collected from developers during the previous year, and the balance remaining in the escrow account.

Any development or portion thereof not served by an existing distribution line shall be subject to the Company's regular distribution line extension rules, and the portion served by the new main constructed at the developer's expense shall not be

subject to the Line Enlargement Charge. Any development which cannot be served by the Company's existing distribution system will be required, at the Developer's expense, immediately to enlarge and improve the distribution system to the extent necessary to serve that development, under the Company's regular distribution line extension rules, and such development shall not be subject to the Line Enlargement Charge.

This tariff provision was approved by the Public Service Commission in Case No. 95-161 as a special demonstration project. The Public Service Commission reserved its authority to review this tariff and its appropriate application at any time. Unless extended by a formal action of the Public Service Commission, this tariff will expire on December 31, 2005.